

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2011

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

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CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Ryan Vander Heiden	Board President	2011
James Knoche	Board Member	2011
Larry Banowetz	Board Member	2011
Shelley Weiss	Board Member	2013
Jodi Rickels	Board Member	2013
Kevin Garland	Board Member	2013
Scott Knudtson	Board Member	2013
<b>School Officials</b>		
Charles Freese	Superintendent	2011
Marika Pewe	District Secretary/Treasurer	Indefinite
Lane & Waterman	Attorney	Indefinite

# KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite 3  
Muscatine, Iowa 52761  
563-264-1385

## Independent Auditor's Report

To the Board of Education  
Calamus Wheatland Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Calamus Wheatland Community School District, Wheatland, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Calamus Wheatland Community School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 20, 2012 on my consideration of Calamus Wheatland Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 47 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calamus Wheatland Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2011, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

A handwritten signature in black ink that reads "Kay L. Chapman, CPA PC". The signature is written in a cursive, flowing style.

Kay L. Chapman, CPA PC  
January 20, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Calamus Wheatland Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,764,352 in fiscal 2010 to \$5,002,732 in fiscal 2011, and General Fund expenditures increased from \$4,724,014 in fiscal 2010 to \$4,849,730 in fiscal 2011. The District's General Fund balance increased from \$978,671 in fiscal 2010 to \$1,132,173 in fiscal 2011, a 16% increase.
- The increase in expenditures is due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- Calamus Wheatland Schools received \$116,874 ARRA Stabilization State Aid which was used to pay allowable expenses in the General Fund.
- The District's Management Fund increased by \$29,878 as a result of lower than anticipated property and liability insurance premiums, anticipated unemployment claims and funds needed for the early retirement incentive program.
- The District's Nutrition Fund balance increased by \$3,838 as a result of increased funding.
- Negotiations with the Calamus Wheatland Education Association were completed for the 2011/12 school year. The certified staff received a 3.82% package increase.
- The District was a recipient of the state grant for the voluntary 4-year old preschool program. This was the District's first year offering preschool.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Calamus Wheatland Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calamus Wheatland Community School

District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calamus Wheatland Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

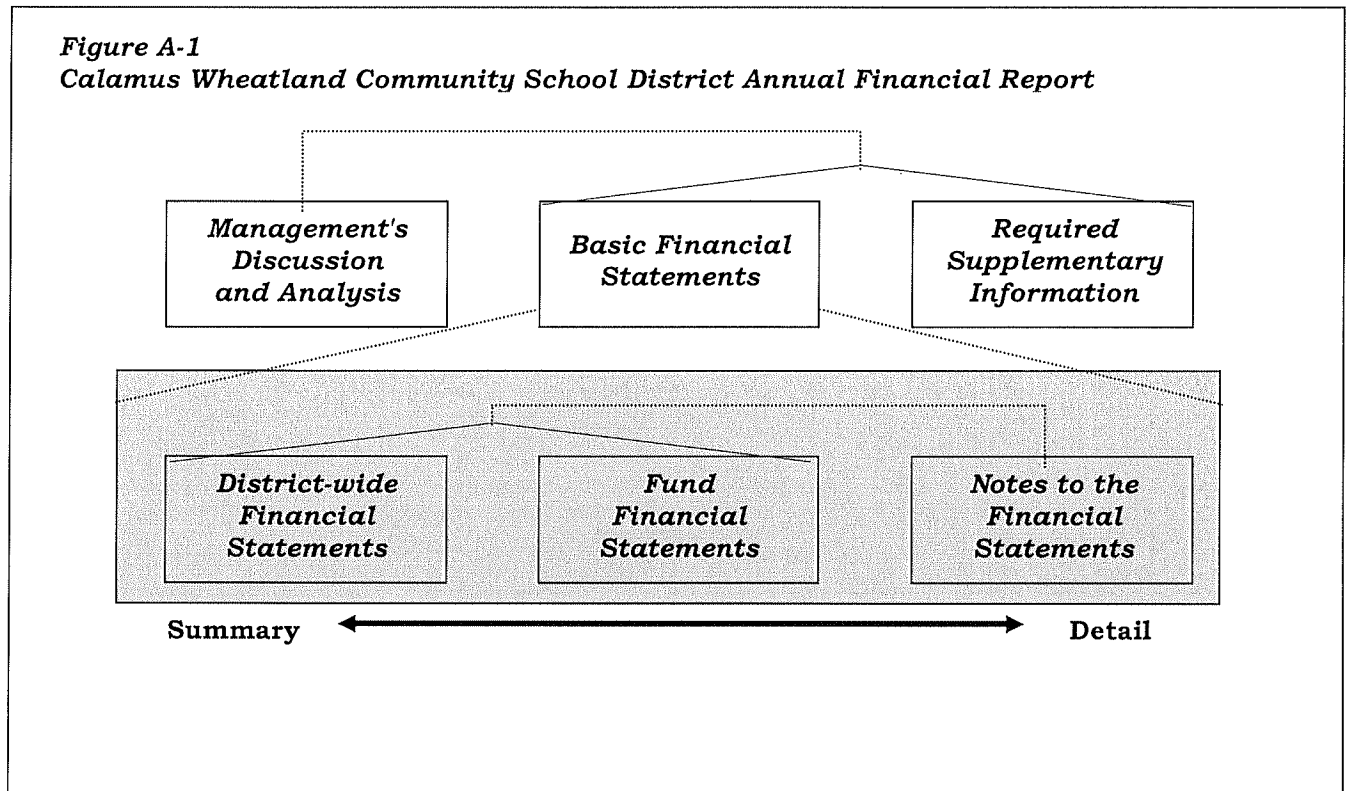




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds also account for the District's internal service fund, which is an accounting device used to accumulate and allocate costs internally among the District's various functions. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is the same as its business type activity, but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund and one internal service fund, Flex-benefit Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

	Condensed Statement of Net Assets						
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 4,452,791	\$ 4,022,416	\$ 25,966	\$ 23,436	\$ 4,478,757	\$ 4,045,852	10.70%
Capital assets	<u>6,087,863</u>	<u>6,151,549</u>	<u>17,161</u>	<u>18,951</u>	<u>6,105,024</u>	<u>6,170,500</u>	-1.06%
Total assets	<u>10,540,654</u>	<u>10,173,965</u>	<u>43,127</u>	<u>42,387</u>	<u>10,583,781</u>	<u>10,216,352</u>	3.60%
			-	-			
Long-term liabilities	1,051,162	1,336,411	-	-	1,051,162	1,336,411	-21.34%
Other liabilities	<u>2,662,177</u>	<u>2,514,288</u>	<u>13,152</u>	<u>16,250</u>	<u>2,675,329</u>	<u>2,530,538</u>	5.72%
Total liabilities	<u>3,713,339</u>	<u>3,850,699</u>	<u>13,152</u>	<u>16,250</u>	<u>3,726,491</u>	<u>3,866,949</u>	-3.63%
Net assets							
Invested in capital assets,							
net of related debt	5,147,863	4,911,549	17,161	18,951	5,165,024	4,930,500	4.76%
Restricted	299,276	237,245	-	-	299,276	237,245	26.15%
Unrestricted	<u>1,380,176</u>	<u>1,174,472</u>	<u>12,814</u>	<u>7,186</u>	<u>1,392,990</u>	<u>1,181,658</u>	17.88%
Total net assets	<u>\$ 6,827,315</u>	<u>\$ 6,323,266</u>	<u>\$ 29,975</u>	<u>\$ 26,137</u>	<u>\$ 6,857,290</u>	<u>\$ 6,349,403</u>	8.00%

The District's combined net assets increased by approximately 8%, or \$507,887 over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$62,031, or approximately 26% over the prior year. This was primarily a result of an increase in fund balance in the Management Fund, Physical Plant and Equipment Levy Fund and categorical General Fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$211,332, or approximately 18%. This increase in unrestricted net assets was a result of the District's increased fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Revenues							
Program revenues							
Charges for service	\$ 665,563	\$ 601,054	\$ 130,910	\$ 133,782	\$ 796,473	\$ 734,836	8.39%
Operating grants	926,545	1,027,492	126,598	107,079	1,053,143	1,134,571	-7.18%
General revenues							
Property tax	2,104,627	2,080,988	-	-	2,104,627	2,080,988	1.14%
Statewide sales, services & use tax	382,871	374,163	-	-	382,871	374,163	2.33%
Unrestricted state grants	1,850,079	1,608,792	-	-	1,850,079	1,608,792	15.00%
Contributions and donations	66,507	22,810	-	-	66,507	22,810	191.57%
Unrestricted investment earnings	8,981	10,753	46	91	9,027	10,844	-16.76%
Other	64,836	20,484	-	-	64,836	20,484	216.52%
Gain-disposal of capital assets	<u>500</u>	<u>4,677</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>4,677</u>	-89.31%
Total revenues and special item	<u>6,070,509</u>	<u>5,751,213</u>	<u>257,554</u>	<u>240,952</u>	<u>6,328,063</u>	<u>5,992,165</u>	5.61%
Program expenses							
Governmental activities							
Instruction	3,403,651	3,448,009	-	-	3,403,651	3,448,009	-1.29%
Support services	1,603,314	1,508,697	-	-	1,603,314	1,508,697	6.27%
Non-instructional programs	6,949	8,789	253,716	251,331	260,665	260,120	0.21%
Other expenses	<u>552,546</u>	<u>493,449</u>	<u>-</u>	<u>-</u>	<u>552,546</u>	<u>493,449</u>	11.98%
Total expenses	<u>5,566,460</u>	<u>5,458,944</u>	<u>253,716</u>	<u>251,331</u>	<u>5,820,176</u>	<u>5,710,275</u>	1.92%
Increase in net assets	504,049	292,269	3,838	(10,379)	507,887	281,890	80.17%
Net assets, beginning of year	<u>6,323,266</u>	<u>6,030,997</u>	<u>26,137</u>	<u>36,516</u>	<u>6,349,403</u>	<u>6,067,513</u>	4.65%
Net assets, end of year	<u>\$ 6,827,315</u>	<u>\$ 6,323,266</u>	<u>\$ 29,975</u>	<u>\$ 26,137</u>	<u>\$ 6,857,290</u>	<u>\$ 6,349,403</u>	8.00%

In fiscal 2011, property and sales tax and unrestricted state grants account for 71% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$6,328,063 of which \$6,070,509 was for governmental activities and \$257,554 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6% increase in revenues and a 2% increase in expenses. Unrestricted state grants increased \$241,287 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits package as well as increases in expenses funded by grants received by the District.

### Governmental Activities

Revenues for governmental activities were \$6,070,509 and expenses were \$5,566,460 during the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,403,651	\$ 3,448,009	-1.3%	\$ 2,015,096	\$ 2,035,819	-1.0%
Support services	1,603,314	1,508,697	6.3%	1,598,392	1,489,895	7.3%
Non-instructional programs	6,949	8,789	-20.9%	6,949	8,789	-20.9%
Other expenses	<u>552,546</u>	<u>493,449</u>	<u>12.0%</u>	<u>353,915</u>	<u>295,895</u>	<u>19.6%</u>
Total expenses	<u>\$ 5,566,460</u>	<u>\$ 5,458,944</u>	<u>2.0%</u>	<u>\$ 3,974,352</u>	<u>\$ 3,830,398</u>	<u>3.8%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$665,563.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$926,545.
- The net cost of governmental activities was financed with \$2,104,627 in property taxes and \$1,850,079 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities for the year ended June 30, 2011 were \$257,554, representing a 7% increase over the prior year and expenses were \$253,716, a 1% increase over the prior year. The District's business type activities include the

School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District did increase meal prices. The District considers meal price increases only when deemed necessary to meet the obligations of the School Nutrition Fund. Federal reimbursements increased for the year by 18% from \$104,240 in FY10 to \$123,796 in FY11. Expenditures increased .9% from \$251,331 in FY10 to \$253,716 in FY11.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Calamus Wheatland Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,401,931, an increase from last year's ending fund balances of \$1,202,039. The primary reason for the increase in combined fund balances in fiscal 2011 is due to increased fund balances in the General Fund, Management Fund and Physical Plant and Equipment Levy Fund.

### **Governmental Fund Highlights**

- The District's growth of the General Fund financial position is the product of several factors. The General Fund balance increased by \$153,502 from a balance of \$978,671 in FY10 to \$1,132,173 in FY11. Overall total expenditures increased by \$121,477 or 2.6%. The major reason for increase in expenditures was for teacher salary and benefits and supplies. .
- The Management Fund Levy balance increased from \$41,786 in FY10 to \$71,664 in FY11. The increase was due to lower than budgeted property and liability insurance premiums and unemployment claims and anticipated early retirement incentives.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance decreased from \$160,418 in FY10 to \$149,126 in FY11. Statewide sales and service tax revenues increased 2.3% or \$8,707 from the prior year. Expenditures increased by 12% or \$35,423 over the prior year. This increase was due to the increase in technology purchases and facilities acquisition expenditures. The district is in the beginning stages of implementing a one-to-one laptop program for students in grades 7-12.

### **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$26,137 at June 30, 2010 to \$29,975 at June 30, 2011, representing an increase of approximately 15%. The District reviews this fund annually and makes adjustments to the lunch fees as necessary.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Calamus Wheatland Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with increased costs of operation and technology purchases not originally budgeted at the time the budget was certified.

The District's revenues were \$223,204 more than budgeted revenues, a variance of approximately 4%. The most significant variance resulted from the District receiving more in local and federal funding sources than originally anticipated.

Total expenditures were \$633,686 less than budgeted. It is the District's practice to budget expenditures at a reasonably higher amount but less than the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's practice, expenditures in the Other Expenditures function area exceed the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$6,105,024, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$241,765.

The original cost of the District's capital assets was \$10,995,621. Governmental funds account for \$10,890,073, with the remainder of \$105,548 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$361,714 at June 30, 2011 compared to \$399,162 at June 30, 2010 due to the annual depreciation taken on the assets exceeding the cost of assets purchased in this area during fiscal 2011.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Land	\$ 260,444	\$ 260,444	\$ -	\$ -	\$ 260,444	\$ 260,444	0.00%
Buildings and improvements	5,210,343	5,238,371	-	-	5,210,343	5,238,371	-0.54%
Improvements, other than buildings	272,523	272,523	-	-	272,523	272,523	0.00%
Furniture and equipment	<u>344,553</u>	<u>380,211</u>	<u>17,161</u>	<u>18,951</u>	<u>361,714</u>	<u>399,162</u>	-9.38%
Totals	<u>\$6,087,863</u>	<u>\$6,151,549</u>	<u>\$17,161</u>	<u>\$18,951</u>	<u>\$6,105,024</u>	<u>\$6,170,500</u>	-1.06%

## Long-Term Debt

At June 30, 2011, the District had \$1,051,162 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 21% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$6.7 million.

Figure A-7  
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
General obligation bonds	\$ 940,000	\$ 1,240,000	-24.19%
Early retirement	41,369	62,054	-33.33%
Net OPEB liability	<u>69,793</u>	<u>34,357</u>	103.14%
Totals	<u>\$ 1,051,162</u>	<u>\$ 1,336,411</u>	-21.34%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District had experienced stable enrollment for the past few years, the District expects a slight decrease in enrollment due to smaller graduating classes and then a decline with several larger graduating classes.
- The District continually evaluates the condition of its vehicle fleet. Due to increased miles on cars, the District will pursue replacing vehicles with funds available in the Physical Plant and Equipment Levy Fund.
- The District negotiates with the Calamus Wheatland Education Association on an annual basis. The negotiated wage and benefit package with health insurance benefits have continued to increase over the past years. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District had total an outstanding early retirement payable from the Special Revenue Management Fund of \$41,369 at June 30, 2011. This package was offered during FY10 and is a three year retirement package.



- During FY12 the district will have expended the final amount of funds from the Federal Education Jobs Bill. This funding has been used to retain existing staff.
- The District implemented their OPEB benefits as required by GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for the year ended June 30, 2011. The District's net OPEB liability was determined by an actuarial to be \$69,793 for FY11.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marika Pewe, District Secretary/Treasurer and Business Manager, Calamus Wheatland Community School District, 110 East Park Road, PO Box 279, Wheatland, Iowa, 52777.

## Basic Financial Statements

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2011

Exhibit A

	Governmental	Business Type	
Assets	Activities	Activities	Total
Cash and cash equivalents	\$ 2,017,634	\$ 22,991	\$2,040,625
Receivables			
Property tax			
Delinquent	29,390	-	29,390
Succeeding year	2,018,145	-	2,018,145
Accounts receivable	12,835	-	12,835
Income surtax	126,711	-	126,711
Due from other governments	248,076	-	248,076
Due from other fund	-	6	6
Inventories	-	2,969	2,969
Non-depreciable capital assets	260,444	-	260,444
Capital assets, net of accumulated depreciation	5,827,419	17,161	5,844,580
Total assets	10,540,654	43,127	10,583,781
<b>Liabilities</b>			
Accounts payable	202,924	-	202,924
Salaries and benefits payable	438,945	13,152	452,097
Accrued interest payable	2,157	-	2,157
Due to other fund	6	-	6
Deferred revenue			
Succeeding year property tax	2,018,145	-	2,018,145
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	305,000	-	305,000
Termination benefits payable	20,685	-	20,685
Portion due after one year			
General obligation bonds payable	635,000	-	635,000
Termination benefits payable	20,684	-	20,684
Net OPEB liability	69,793	-	69,793
Total liabilities	3,713,339	13,152	3,726,491
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,147,863	17,161	5,165,024
Restricted for			
Categorical funding	37,108	-	37,108
Management levy purposes	30,295	-	30,295
Physical plant and equipment	43,037	-	43,037
Student activities	39,710	-	39,710
School infrastructure	149,126	-	149,126
Unrestricted	1,380,176	12,814	1,392,990
Total net assets	\$ 6,827,315	\$ 29,975	\$6,857,290

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

Functions/ <u>Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	<u>Expenses</u>	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 2,152,394	\$ 434,262	\$ 673,398	\$ -	\$ (1,044,734)	\$ -	\$ (1,044,734)
Special instruction	602,855	161,143	47,106	-	(394,606)	-	(394,606)
Other instruction	648,402	68,701	3,945	-	(575,756)	-	(575,756)
	<u>3,403,651</u>	<u>664,106</u>	<u>724,449</u>	<u>-</u>	<u>(2,015,096)</u>	<u>-</u>	<u>(2,015,096)</u>
Support services							
Student	142,397	-	3,465	-	(138,932)	-	(138,932)
Instructional staff	248,641	-	-	-	(248,641)	-	(248,641)
Administration	511,248	-	-	-	(511,248)	-	(511,248)
Operation and maintenance of plant	418,472	-	-	-	(418,472)	-	(418,472)
Transportation	282,556	1,457	-	-	(281,099)	-	(281,099)
	<u>1,603,314</u>	<u>1,457</u>	<u>3,465</u>	<u>-</u>	<u>(1,598,392)</u>	<u>-</u>	<u>(1,598,392)</u>
	<u>6,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,949)</u>	<u>-</u>	<u>(6,949)</u>
Non-instructional programs							
Other expenses							
Facilities acquisition	176,741	-	-	-	(176,741)	-	(176,741)
Long-term debt interest	32,213	-	-	-	(32,213)	-	(32,213)
AEA flowthrough	198,631	-	198,631	-	-	-	-
Depreciation (unallocated) *	144,961	-	-	-	(144,961)	-	(144,961)
	<u>552,546</u>	<u>-</u>	<u>198,631</u>	<u>-</u>	<u>(353,915)</u>	<u>-</u>	<u>(353,915)</u>
Total governmental activities	<u>5,566,460</u>	<u>665,563</u>	<u>926,545</u>	<u>-</u>	<u>(3,974,352)</u>	<u>-</u>	<u>(3,974,352)</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs (continued)</b>					
Business type activities					
Non-instructional programs					
Food service operations	\$ 253,716	\$ 130,910	\$ 126,598	\$ -	\$ 3,792
Total	<u>\$ 5,820,176</u>	<u>\$ 796,473</u>	<u>\$ 1,053,143</u>	<u>\$ -</u>	<u>(3,970,560)</u>
<b>General Revenues</b>					
Property tax levied for					
General purposes					1,841,960
Debt service					172,539
Capital outlay					90,128
Statewide sales, services and use tax					382,871
Unrestricted state grants					1,850,079
Contributions and donations					66,507
Unrestricted investment earnings					46
Other					9,027
Special item - gain on disposal of capital assets					64,836
Total general revenues and special item					<u>500</u>
Change in net assets					<u>4,478,401</u>
Net assets, beginning of year					<u>504,049</u>
Net assets, end of year					<u>6,323,266</u>
					<u>\$ 29,975</u>
					<u>\$ 6,827,315</u>
					<u>\$ 6,857,290</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2011

	Nonmajor Governmental		
	<u>General</u>	<u>Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$1,578,720	\$214,076	\$1,792,796
Receivables			
Property tax			
Delinquent	23,682	5,708	29,390
Succeeding year	1,589,567	428,578	2,018,145
Accounts receivable	12,678	47	12,725
Income surtax	126,711	-	126,711
Due from other governments	186,876	61,200	248,076
Due from other fund	-	41,241	41,241
Total assets	<u>\$3,518,234</u>	<u>\$750,850</u>	<u>\$4,269,084</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 171,019	\$ 16,160	\$ 187,179
Salaries and benefits payable	438,945	-	438,945
Due to other fund	4,893	36,354	41,247
Deferred revenue			
Succeeding year property tax	1,589,567	428,578	2,018,145
Income surtax	126,711	-	126,711
Other	54,926	-	54,926
Total liabilities	<u>2,386,061</u>	<u>481,092</u>	<u>2,867,153</u>
<b>Fund balances</b>			
Restricted for			
Categorical funding	37,108	-	37,108
Student activities	-	39,710	39,710
Management levy purposes	-	71,664	71,664
Physical plant and equipment	-	43,037	43,037
School infrastructure	-	149,126	149,126
Unassigned	1,095,065	(33,779)	1,061,286
Total fund balances	<u>1,132,173</u>	<u>269,758</u>	<u>1,401,931</u>
Total liabilities and fund balances	<u>\$3,518,234</u>	<u>\$750,850</u>	<u>\$4,269,084</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2011

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$1,401,931</b>
--	--------------------

**Amounts reported for governmental activities in the Statement of Net Assets  
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,087,863
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	181,637
---	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,157)
--	---------

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	209,203
---	---------

Long-term liabilities, including bonds payable, early retirement termination benefits and other postemployment benefits payable, are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds.	<u>(1,051,162)</u>
--	--------------------

<b>Net assets of governmental activities</b>	<b><u>\$6,827,315</u></b>
--	---------------------------

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

Exhibit E

		Nonmajor Governmental	
Revenues	<u>General</u>	<u>Funds</u>	<u>Total</u>
Local sources			
Local tax	\$ 1,721,009	\$ 765,365	\$ 2,486,374
Tuition	501,914	-	501,914
Other	33,613	218,346	251,959
Intermediate sources	4,027	-	4,027
State sources	2,461,956	1,547	2,463,503
Federal sources	280,213	-	280,213
Total revenues	<u>5,002,732</u>	<u>985,258</u>	<u>5,987,990</u>
Expenditures			
Current			
Instruction			
Regular	2,099,713	21,831	2,121,544
Special	598,209	-	598,209
Other	524,458	118,947	643,405
	<u>3,222,380</u>	<u>140,778</u>	<u>3,363,158</u>
Support services			
Student	140,570	546	141,116
Instructional staff	207,907	83,619	291,526
Administration	502,058	20,714	522,772
Operation and maintenance of plant	370,113	45,280	415,393
Transportation	208,071	15,623	223,694
	<u>1,428,719</u>	<u>165,782</u>	<u>1,594,501</u>
Non-instructional programs	<u>-</u>	<u>6,949</u>	<u>6,949</u>
Other expenditures			
Facilities acquisition	-	292,571	292,571
Long-term debt			
Principal	-	300,000	300,000
Interest and fiscal charges	-	32,788	32,788
AEA flowthrough	198,631	-	198,631
	<u>198,631</u>	<u>625,359</u>	<u>823,990</u>
Total expenditures	<u>4,849,730</u>	<u>938,868</u>	<u>5,788,598</u>

See notes to financial statements.



CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Excess of revenues over expenditures	\$ 153,002	\$ 46,390	\$ 199,392
Other financing sources (uses)			
Sale of equipment and materials	500	-	500
Interfund operating transfers in	-	160,000	160,000
Interfund operating transfers (out)	-	(160,000)	(160,000)
Total other financing sources	<u>500</u>	<u>-</u>	<u>500</u>
Net change in fund balances	153,502	46,390	199,892
Fund balance, beginning of year, as restated	<u>978,671</u>	<u>223,368</u>	<u>1,202,039</u>
Fund balance, end of year	<u>\$ 1,132,173</u>	<u>\$ 269,758</u>	<u>\$ 1,401,931</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2011

Exhibit F

**Net change in fund balances - total governmental funds** **\$199,892**

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$175,600	
Depreciation expense	<u>(239,286)</u>	(63,686)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds.	30,003
---	--------

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	52,016
---	--------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	300,000
---	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Early retirement	20,685	
Other postemployment benefits	<u>(35,436)</u>	(14,751)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>575</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$504,049</u></b>
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CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

Exhibit G

	Business Type <u>Activity</u> Nonmajor <u>Enterprise</u> School <u>Nutrition</u>	Governmental <u>Activity</u>  Internal <u>Service</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 22,991	\$224,838
Accounts receivable	-	110
Due from other fund	6	-
Inventories	2,969	-
Capital assets, net of accumulated depreciation	<u>17,161</u>	<u>-</u>
Total assets	<u>43,127</u>	<u>224,948</u>
<b>Liabilities</b>		
Salaries and benefits payable	13,152	-
Incurred but not reported claims	<u>-</u>	<u>15,745</u>
Total liabilities	<u>13,152</u>	<u>15,745</u>
<b>Net Assets</b>		
Invested in capital assets	17,161	-
Unrestricted	<u>12,814</u>	<u>209,203</u>
Total net assets	<u><u>\$ 29,975</u></u>	<u><u>\$209,203</u></u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2011

Exhibit H

	Business Type <u>Activity</u>	Governmental <u>Activity</u>
	Nonmajor <u>Enterprise</u>	
	School <u>Nutrition</u>	Internal <u>Service</u>
Operating revenue		
Local sources		
Charges for service	\$ 130,910	\$ -
Employee contributions	-	153,206
Total operating revenue	<u>130,910</u>	<u>153,206</u>
Operating expenses		
Non-instructional programs		
Food service operations		
Salaries and benefits	91,735	-
Benefits	41,085	-
Purchased services	2,679	-
Supplies	115,738	-
Depreciation	2,479	-
Insurance operations		
Purchased services	-	101,190
Total operating expenses	<u>253,716</u>	<u>101,190</u>
Operating income (loss)	<u>(122,806)</u>	<u>52,016</u>
Non-operating revenues		
Interest income	46	-
State sources	2,802	-
Federal sources	123,796	-
Total non-operating revenues	<u>126,644</u>	<u>-</u>
Net income	3,838	52,016
Net assets, beginning of year	<u>26,137</u>	<u>157,187</u>
Net assets, end of year	<u>\$ 29,975</u>	<u>\$ 209,203</u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2011

	Business Type Activity	Governmental Activity
	<u>Nonmajor Enterprise School Nutrition</u>	<u>Internal Service</u>
Cash flows from operating activities		
Cash received from sale of services	\$ 130,215	\$ -
Cash received from other operations	-	153,404
Cash payments to employees for services	(135,918)	-
Cash payments to suppliers for goods and services	(104,950)	(105,569)
Net cash provided by (used in) operating activities	<u>(110,653)</u>	<u>47,835</u>
Cash flows from non-capital financing activities		
State grants received	2,802	-
Federal grants received	111,620	-
Net cash provided by non-capital financing activities	<u>114,422</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	46	-
Net increase in cash and cash equivalents	3,815	47,835
Cash and cash equivalents, beginning of year	19,176	177,003
Cash and cash equivalents, end of year	<u>\$ 22,991</u>	<u>\$224,838</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>		
Operating income (loss)	\$(122,806)	\$ 52,016
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	2,479	-
Commodities used	12,176	-
Decrease in accounts receivable	308	198
(Increase) in due from other fund	(6)	-
Decrease in inventory	294	-
(Decrease) in incurred but not reported claims	-	(4,379)
(Decrease) in accrued salaries and benefits	(3,098)	-
Net cash provided by (used in) operating activities	<u>\$(110,653)</u>	<u>\$ 47,835</u>

**Non-cash investing, capital and related financing activities**

During the year ended June 30, 2011, the District received \$12,176 of federal commodities.

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2011

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	\$ 123,443
Accounts receivable	<u>4,939</u>
Total assets	128,382
<b>Liabilities</b>	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>\$ 128,382</u></u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2011

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$      300
Interest	<u>4,973</u>
Total additions	5,273
Deductions	
Instruction, regular	
Scholarships	<u>4,977</u>
Change in net assets	296
Net assets, beginning of year	<u>128,086</u>
Net assets, end of year	<u><u>\$ 128,382</u></u>

See notes to financial statements.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2011

**Note 1. Summary of Significant Accounting Policies**

The Calamus Wheatland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Calamus and Wheatland, Iowa, and the agricultural territory in Clinton and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Calamus Wheatland Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Calamus Wheatland Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.



The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports no major proprietary funds. However, the District reports two nonmajor proprietary funds; the enterprise, School Nutrition Fund, which is used to account for the food service operations of the District and one internal service fund, which is utilized for employee health insurance benefits.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, early retirement benefits, and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting

Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$50,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities. Also, wages for hourly employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2011 was used to calculate the salaries payable.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds, as well as property tax receivables and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$30,295 for management levy purposes, \$43,037 for physical plant and equipment, \$39,710 for student activities and \$149,126 for school infrastructure.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

## F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,953 pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

Credit risk. The investment in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

## **Note 3. Due From and Due to Other Funds**

Details of the interfund receivables and payables at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major	Non-major	
Statewide sales, services and use tax	Debt Service	\$ 36,354
Physical plant and equipment levy	General	4,887
School nutrition	General	6

The Debt Service Fund had a negative cash balance at June 30, 2011; however, since the Debt Service Fund shares a bank account with the Statewide Sales, Services and Use Tax Fund, the negative bank balance is shown as a Due To and Due From on the balance sheet. General Fund owed monies to the Physical Plant and Equipment Levy Fund and the School Nutrition Fund for expenditures to be reimbursed.

#### Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Statewide Sales, Service and Use Tax	\$ 160,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Local Sales, Services and Use Tax Fund to the Debt Service Fund were to move resources from debt issuance to pay principal and interest on debt.

#### Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 260,444	\$ -	\$ -	\$ 260,444
Capital assets being depreciated:				
Buildings and improvements	8,323,010	115,230	-	8,438,240
Improvements other than buildings	617,860	-	-	617,860
Furniture and equipment	<u>1,539,139</u>	<u>60,370</u>	<u>(25,980)</u>	<u>1,573,529</u>
Total capital assets being depreciated	<u>10,480,009</u>	<u>175,600</u>	<u>(25,980)</u>	<u>10,629,629</u>
Less accumulated depreciation for:				
Buildings and improvements	3,084,639	143,258	-	3,227,897
Improvements other than buildings	345,337	-	-	345,337
Furniture and equipment	<u>1,158,928</u>	<u>96,028</u>	<u>(25,980)</u>	<u>1,228,976</u>
Total accumulated depreciation	<u>4,588,904</u>	<u>239,286</u>	<u>(25,980)</u>	<u>4,802,210</u>
Total capital assets being depreciated, net	<u>5,891,105</u>	<u>(63,686)</u>	<u>-</u>	<u>5,827,419</u>
Governmental activities capital assets, net	<u>\$ 6,151,549</u>	<u>\$ (63,686)</u>	<u>\$ -</u>	<u>\$ 6,087,863</u>

Business type activities

Furniture and equipment	\$ 104,859	\$ 689	\$ -	\$ 105,548
Less accumulated depreciation	<u>85,908</u>	<u>2,479</u>	<u>-</u>	<u>88,387</u>
Business type activities capital assets, net	<u>\$ 18,951</u>	<u>\$ (1,790)</u>	<u>\$ -</u>	<u>\$ 17,161</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 35,060
Support services	
Operation and maintenance of plant	1,536
Transportation	<u>57,729</u>
	94,325
Unallocated depreciation	<u>144,961</u>
Total governmental activities depreciation expense	<u>\$ 239,286</u>

**Business type activities**

Food service operations	<u>\$ 2,479</u>
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**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 1,240,000	\$ -	\$ 300,000	\$ 940,000	\$ 305,000
Net OPEB liability	34,357	35,436	-	69,793	-
Early retirement	<u>62,054</u>	<u>-</u>	<u>20,685</u>	<u>41,369</u>	<u>20,685</u>
Totals	<u>\$ 1,336,411</u>	<u>\$ 35,436</u>	<u>\$ 320,685</u>	<u>\$ 1,051,162</u>	<u>\$ 325,685</u>

Interest costs incurred and charged to expense on all long-term debt was \$32,213 for the year ended June 30, 2011. During the year ended June 30, 2011, the District made principal payments on total long-term debt of \$300,000.

Refunded General Obligation Bonds

On May 26, 2009 the District issued \$1,530,000 of general obligation bonds to refund the general obligation bond issue of May 3, 2001. On June 1, 2009 the remaining balance of \$1,515,000 of the 2001 issue was called and paid from the proceeds of the refunding general obligation bonds. This amount is considered to be extinguished and, therefore, excluded from the



long-term debt of the District at June 30, 2009. This current refunding was undertaken to reduce total debt service payments over the next five years by \$51,073 and resulted in an economic gain of \$56,846.

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 26, 2009			
	Interest Rates	Principal	Interest	Total
2012	2.50	\$ 305,000	\$ 25,888	\$ 330,888
2013	2.75	315,000	18,262	333,262
2014	3.00	<u>320,000</u>	<u>9,600</u>	<u>329,600</u>
Totals		<u>\$ 940,000</u>	<u>\$ 53,750</u>	<u>\$ 993,750</u>

#### **Note 7. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.5%, 4.30% and 4.10 % of their annual covered salary and the District was required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$182,609, \$207,361 and \$191,209, respectively, equal to the required contributions for each year.

#### **Note 8. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$198,631 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 10. Deficit Balance**

The District had an unreserved fund deficit of \$33,779 in the Debt Service Fund at June 30, 2011.

#### **Note 11. Self-funded Health Insurance**

The District utilizes a partial self-funded/partial fully funded plan. This is a combination of a low self-funded single of \$300/\$600 and family \$600/\$900 and a high fully funded plan through Wellmark of single \$2,000/\$4,000 and family \$4,000/\$8,000. Payments to Wellmark are made for its premium and deposits into the Internal Service Fund are made monthly for the self-funded portion. The self-fund plan (Internal Service Fund) deposits and the independent administrator funds/pays for the claim exposure between the two or \$3,400 for single and \$7,100 for family. After the total exposure has been maximized, the fully-funded carrier pays 100%. The District estimates that 25% of those covered will reach full maximum exposure.

At June 30, 2011, the District had accumulated an excess of \$209,203 in its Internal Service Fund to cover employee health care claims. Also, the District continues to fund this plan by depositing premiums into the account on a monthly basis. The District's deposits into this fund have exceeded claims paid from the fund during the years ended June 30, 2011, 2010, 2009, 2008 and 2007. All submitted claims had been paid or accrued at June 30, 2011. The District does not expect claims to exceed monies available in the fund during the year ending June 30, 2011. The District is contingently liable for any claims in excess of funds available at June 30, 2011.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. Claims liabilities are reported in the financial statements in other current liabilities. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	Year Ended June 30,	
	2011	2010
Unpaid claims, beginning of year	\$ 20,124	\$ 19,209
Current year claims and changes in estimates	153,206	134,009
Claim payments	<u>(157,585)</u>	<u>(133,094)</u>
Unpaid claims, end of year	<u>\$ 15,745</u>	<u>\$ 20,124</u>

## **Note 12. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Insurance Plan - As discussed in Note 11, the District is contingently liable for any unreported claim or assessment in excess of their balance in the Internal Service Insurance Fund.

## **Note 13. Other Postemployment Benefits (OPEB)**

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 200 active and 12 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 37,365
Interest on net OPEB obligation	859
Adjustment to annual required contribution	<u>(2,788)</u>
Annual OPEB cost	35,436
Contributions made	<u>-</u>
Increase in net OPEB obligation	35,436
Net OPEB obligation beginning of year	<u>34,357</u>
Net OPEB obligation end of year	<u>\$ 69,793</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed nothing to the medical plan. Plan members eligible for benefits contributed none of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$34,357	0.0%	\$ 34,357
2011	35,436	0.0%	69,793

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2010, the actuarial accrued liability was \$275,450, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$275,540. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.1 million and the ratio of UAAL to covered payroll was 8.9%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 14. Related Party Transactions**

During the year ended June 30, 2011, the District entered into business transactions totaling \$12,533 with RPJ Enterprises, a company partly owned by Board Member Ryan Vander Heiden. The transactions were for bus maintenance and repairs.

#### **Note 15. New Governmental Accounting Standards Board (GASB) Statements**

During the year ended June 30, 2011, the District implemented the following GASB statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in

fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.

- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

As of June 30, 2011, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and government operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statement to better assess the

accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncement issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is

considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

#### **Note 16. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue
	Physical Plant and Equipment Levy	Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ -	\$ 11,380
Change in fund type classification per implementation of GASB Statement No. 54	11,380	(11,380)
Balances July 1, 2010, as restated	<u>\$ 11,380</u>	<u>\$ -</u>

#### **Note 17. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

##### Program

Home school assistance program	\$ 5,762
At-risk	9,933
Beginning teacher mentoring and induction program	462
Teacher salary supplement	3,774
Statewide voluntary preschool	6,152
Educator quality, professional development for model core curriculum	7,918
Educator quality, professional development	<u>3,107</u>
	<u>\$ 37,108</u>



## Required Supplementary Information

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
All Governmental Funds and Proprietary Fund  
Required Supplementary Information  
For the Year Ended June 30, 2011

	Governmental Funds Actual	Enterprise Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues</b>						
Local sources	\$ 3,240,247	\$130,956	\$3,371,203	\$3,128,872	\$3,128,872	\$ 242,331
Intermediate sources	4,027	-	4,027	-	-	4,027
State sources	2,463,503	2,802	2,466,305	2,612,724	2,612,724	(146,419)
Federal sources	280,213	123,796	404,009	280,744	280,744	123,265
Total revenues	<u>5,987,990</u>	<u>257,554</u>	<u>6,245,544</u>	<u>6,022,340</u>	<u>6,022,340</u>	<u>223,204</u>
<b>Expenditures/Expenses</b>						
Instruction	3,363,158	-	3,363,158	3,487,308	3,730,000	366,842
Support services	1,594,501	-	1,594,501	1,676,392	1,865,000	270,499
Non-instructional programs	6,949	253,716	260,665	256,700	261,000	335
Other expenditures	823,990	-	823,990	553,145	820,000	(3,990)
Total expenditures/expenses	<u>5,788,598</u>	<u>253,716</u>	<u>6,042,314</u>	<u>5,973,545</u>	<u>6,676,000</u>	<u>633,686</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	199,392	3,838	203,230	48,795	(653,660)	856,890
Net other financing sources, net	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Net change in fund balance	199,892	3,838	203,730	48,795	(653,660)	857,390
Balance, beginning of year	1,202,039	26,137	1,331,436	964,763	964,763	366,673
Balance, end of year	<u>\$ 1,401,931</u>	<u>\$ 29,975</u>	<u>\$1,535,166</u>	<u>\$1,013,558</u>	<u>\$ 311,103</u>	<u>\$ 1,224,063</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Internal Service Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$702,455.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$275,540	\$275,540	\$ -	\$3,100,000	8.9%
2011	July 1, 2009	-	275,450	275,450	-	3,091,090	8.9%

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Other Supplementary Information

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>			
	Student	Management	Physical	Statewide		
	<u>Activity</u>	<u>Levy</u>	Equipment	Sales,	Debt	
			<u>Levy</u>	Use Tax	<u>Service</u>	<u>Total</u>
<b>Assets</b>						
Cash and pooled investments	\$39,710	\$ 69,876	\$ 47,466	\$ 57,024	\$ -	\$214,076
Receivables						
Property tax						
Delinquent	-	1,788	1,345	-	2,575	5,708
Succeeding year	-	104,000	93,690	-	230,888	428,578
Accounts receivable	-	-	-	47	-	47
Due from other governments	-	-	-	61,200	-	61,200
Due from other fund	-	-	4,887	36,354	-	41,241
Total assets	<u>\$39,710</u>	<u>\$175,664</u>	<u>\$147,388</u>	<u>\$154,625</u>	<u>\$233,463</u>	<u>\$750,850</u>
<b>Liabilities and Fund Balances</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 10,661	\$ 5,499	\$ -	\$ 16,160
Due to other funds	-	-	-	-	36,354	36,354
Deferred revenue						
Succeeding year property tax	-	104,000	93,690	-	230,888	428,578
Total liabilities	<u>-</u>	<u>104,000</u>	<u>104,351</u>	<u>5,499</u>	<u>267,242</u>	<u>481,092</u>
Fund balances						
Restricted for						
Student activities	39,710	-	-	-	-	39,710
Management levy purposes	-	71,664	-	-	-	71,664
Physical plant and equipment	-	-	43,037	-	-	43,037
School infrastructure	-	-	-	149,126	-	149,126
Unassigned	-	-	-	-	(33,779)	(33,779)
Total fund balances	<u>39,710</u>	<u>71,664</u>	<u>43,037</u>	<u>149,126</u>	<u>(33,779)</u>	<u>269,758</u>
Total liabilities and fund balances	<u>\$39,710</u>	<u>\$175,664</u>	<u>\$147,388</u>	<u>\$154,625</u>	<u>\$233,463</u>	<u>\$750,850</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>			
	Student	Management	Physical	Statewide	Debt	
	<u>Activity</u>	<u>Levy</u>	Equipment	Services &	<u>Service</u>	<u>Total</u>
Revenues			Plant and	Use Tax		
Local sources						
Local taxes	\$ -	\$119,827	\$90,128	\$382,871	\$ 172,539	\$ 765,365
Other	104,193	9,946	7,329	96,248	630	218,346
State sources	-	-	1,547	-	-	1,547
Total revenues	<u>104,193</u>	<u>129,773</u>	<u>99,004</u>	<u>479,119</u>	<u>173,169</u>	<u>985,258</u>
Expenditures						
Current						
Instruction						
Regular	-	20,119	1,712	-	-	21,831
Other	108,427	10,520	-	-	-	118,947
Total instruction	<u>108,427</u>	<u>30,639</u>	<u>1,712</u>	<u>-</u>	<u>-</u>	<u>140,778</u>
Support services						
Student	-	546	-	-	-	546
Instructional staff	-	455	-	83,164	-	83,619
Administration	-	1,092	-	19,622	-	20,714
Operation & maintenance of plant	-	45,280	-	-	-	45,280
Transportation	-	15,623	-	-	-	15,623
Total support services	<u>-</u>	<u>62,996</u>	<u>-</u>	<u>102,786</u>	<u>-</u>	<u>165,782</u>
Non-instructional programs	<u>-</u>	<u>6,260</u>	<u>689</u>	<u>-</u>	<u>-</u>	<u>6,949</u>
Other expenditures						
Facilities acquisition	-	-	64,946	227,625	-	292,571
Long-term debt						
Principal	-	-	-	-	300,000	300,000
Interest and fiscal charges	-	-	-	-	32,788	32,788
Total other expenditures	<u>-</u>	<u>-</u>	<u>64,946</u>	<u>227,625</u>	<u>332,788</u>	<u>625,359</u>
Total expenditures	<u>108,427</u>	<u>99,895</u>	<u>67,347</u>	<u>330,411</u>	<u>332,788</u>	<u>938,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,234)</u>	<u>29,878</u>	<u>31,657</u>	<u>148,708</u>	<u>(159,619)</u>	<u>46,390</u>
Other financing (uses)						
Interfund operating transfers in	-	-	-	-	160,000	160,000
Interfund operating transfers (out)	-	-	-	(160,000)	-	(160,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,000)</u>	<u>160,000</u>	<u>-</u>
Net change in fund balances	(4,234)	29,878	31,657	(11,292)	381	46,390
Fund balances, beginning of year, as restated	43,944	41,786	11,380	160,418	(34,160)	223,368
Fund balances, end of year	<u>\$ 39,710</u>	<u>\$ 71,664</u>	<u>\$ 43,037</u>	<u>\$ 149,126</u>	<u>\$ (33,779)</u>	<u>\$ 269,758</u>

See accompanying Independent Auditor's Report.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2011

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ 3,045	\$ 51,235	\$ 51,455	\$ 2,825
Student insurance accounts	2,785	634	300	3,119
Annual	3,174	9,037	10,828	1,383
Key cards	1,593	575	400	1,768
Class of:				
2011	4,335	2,828	7,163	-
2012	1,019	3,646	2,401	2,264
2013	-	94	-	94
2014	-	121	-	121
Cheerleading	317	1,432	1,720	29
Dance	306	791	853	244
FFA	3,347	4,705	6,435	1,617
Vocal	330	222	28	524
Student council	8,392	3,973	3,822	8,543
Junior high student council	239	1,714	1,931	22
Instrumental fund	289	124	13	400
Science club	383	1	81	303
School play	4,549	5,794	6,937	3,406
Special Olympics	77	1	-	78
Juice	2,268	1,723	1,400	2,591
National Honor Society	1,283	52	497	838
Softball	892	4,116	3,723	1,285
Teacher pop	129	2,294	1,602	821
FCCLA	315	4,223	3,383	1,155
Basketball	2,760	8,420	7,890	3,290
Alumni Fund	-	879	879	-
Marketing	-	3,979	3,191	788
Elementary				
Student activity	245	1,080	1,322	3
Pop fund	172	2,813	2,572	413
Student pictures	308	1,703	1,445	566
Instrumental music	468	554	747	275
Library	924	3,049	3,085	888
Student council	-	437	380	57
Totals	<u>\$ 43,944</u>	<u>\$ 122,249</u>	<u>\$ 126,483</u>	<u>\$ 39,710</u>

See accompanying Independent Auditor's Report.



**CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Eight Years**

Schedule 4

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>								
Local sources								
Local tax	\$2,486,374	\$2,436,142	\$2,393,509	\$2,288,693	\$2,321,272	\$2,117,886	\$2,014,423	\$2,038,426
Tuition	501,914	464,019	367,860	351,627	314,521	317,218	276,019	250,049
Other	251,959	196,917	158,869	182,667	170,139	341,488	398,192	123,979
Intermediate sources	4,027	-	1,469	6,093	5,136	-	-	-
State sources	2,463,503	2,181,054	2,717,461	2,593,318	2,344,727	2,273,228	2,158,956	1,963,060
Federal sources	280,213	429,183	231,259	160,313	174,196	155,574	213,646	236,177
<b>Total revenues</b>	<b>\$5,987,990</b>	<b>\$5,707,315</b>	<b>\$5,870,427</b>	<b>\$5,582,711</b>	<b>\$5,329,991</b>	<b>\$5,205,394</b>	<b>\$5,061,236</b>	<b>\$4,611,691</b>
<b>Expenditures</b>								
Current								
Instruction								
Regular	\$2,121,544	\$2,095,219	\$2,080,180	\$2,065,631	\$1,973,204	\$1,978,516	\$1,772,214	\$1,790,837
Special	598,209	632,559	673,471	655,256	573,403	576,385	615,896	605,885
Other	643,405	617,203	472,922	447,271	430,137	247,369	351,369	263,015
Support services								
Student	141,116	133,655	125,224	121,800	108,825	106,530	93,683	99,484
Instructional staff	291,526	289,700	142,840	150,595	107,102	126,750	53,884	35,084
Administration	522,772	502,288	493,789	474,708	476,032	429,509	399,564	372,900
Operation and maintenance of plant	415,393	396,594	409,511	406,557	378,663	375,712	335,311	315,677
Transportation	223,694	331,411	295,378	341,427	246,477	237,834	280,472	207,068
Other support	-	1,314	-	1,626	-	-	50,375	-
Non-instructional programs	6,949	6,545	6,537	6,309	4,706	583	-	92,853
Other expenditures								
Facilities acquisition	292,571	119,650	63,341	58,854	169,326	167,412	1,906,047	190,868
Long-term debt								
Principal	300,000	435,669	2,116,331	519,738	1,299,812	483,450	230,000	220,000
Interest and other charges	32,788	41,135	99,766	108,156	119,423	135,722	129,529	122,776
AEA flowthrough	198,631	197,554	186,943	179,678	166,149	154,375	149,154	147,588
<b>Total expenditures</b>	<b>\$5,788,598</b>	<b>\$5,800,496</b>	<b>\$7,166,233</b>	<b>\$5,537,606</b>	<b>\$6,053,259</b>	<b>\$5,020,147</b>	<b>\$6,367,498</b>	<b>\$4,464,035</b>

See accompanying Independent Auditor's Report.

# **KAY L. CHAPMAN, CPA PC**

119 West Mississippi Drive, Suite 3  
Muscatine, Iowa 52761  
563-264-1385

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education  
Calamus Wheatland Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Calamus Wheatland Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 20, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Calamus Wheatland Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Calamus Wheatland Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Calamus Wheatland Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness

is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

#### Compliance and Other Matters

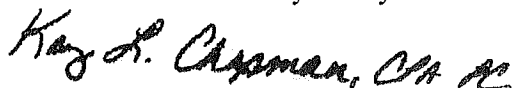
As part of obtaining reasonable assurance about whether Calamus Wheatland Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Calamus Wheatland Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Calamus Wheatland Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Calamus Wheatland Community School District and other parties to whom Calamus Wheatland Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Calamus Wheatland Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
January 20, 2012

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

**Part I. Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES**

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**Part II. Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the amended certified budget amount in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - Business transactions between the District and District officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ryan Vander Heiden, board member part owner of RPJ Enterprises	Bus maintenance & repairs	\$12,533

The transactions with Board Member Vander Heiden's business appears to represent a conflict of interest since it was more than \$2,500, as allowed by Chapter 279.7A of the Code of Iowa.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We try to support our local businesses, when possible. RPJ Enterprises in the only business within the District that provides the needed services. Therefore, we chose to conduct business with RPJ Enterprises instead of going outside the district for these services. We will review the situation.

Conclusion - Response accepted.

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education; however, immaterial errors in the amounts reported were noted. The District did not accrue property taxes receivable of \$23,682 in the General Fund. This omission resulted in assets, fund balance and revenues in the General Fund being understated.

Recommendation - The District should increase the General Fund beginning fund balance on their FY12 CAR to correct this error. The District should ensure that all amounts reported on future CARs are correct and include all necessary accruals.

Response - We will correct the General Fund beginning balance on next year's CAR and ensure that all amounts reported on future CARs are correct, as recommended.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 160,418
Revenues		
Statewide sales and services tax revenue	\$ 382,871	
Other local revenues	<u>96,248</u>	479,119
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 124,826	
Equipment	205,585	
Debt service for school infrastructure		
General obligation debt	<u>160,000</u>	<u>490,411</u>
Ending balance		<u>\$ 149,126</u>

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The statewide sales, services and use tax revenue received during the year ended June 30, 2011 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable <u>Valuation</u>	Property Tax <u>Dollars</u>
Debt service levy	\$ 2.84211	\$ 160,000

13. Deficit Balance - The District had an unassigned fund deficit in the Debt Service Fund of \$33,779 at June 30, 2011.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.

Response - We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

CALAMUS WHEATLAND COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2011

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant